The SAVINGS Act of 2017

Bill would preserve an important savings opportunity during tax season

U.S. Savings Bonds have played an important role in our history and culture – from the Series E bonds that helped finance World War II to the savings bonds grandparents purchase today as a gift to a new grandchild. Savings bonds are an important investment tool that provide a risk-free, no-fee, low penalty, and inflation-protected asset to the bond holder. As the financial world becomes increasingly digital and complex, the paper savings bond is an important financial learning tool, as it can be physically held and the terms easily understood.

In 2012, the Treasury Department discontinued selling paper savings bonds at financial institutions. Now, U.S. Savings Bonds can be purchased online through Treasury Direct and are held in an online account. The only way to get a paper savings bond is through the Tax Time Savings Bond option for IRS returns – consumers check a box on the IRS refund allocation form (Form 8888), and some or all of their tax refund is returned as a paper savings bond. Treasury extends the Tax Time Savings Bond program on an annual basis. It was set to expire after the 2015 tax season but Treasury has decided to extend the program through the 2017 tax season.

In 2015, according to the FDIC, 7 percent of Americans were considered unbanked consumers, meaning they have rarely, if ever, held a checking account, a savings account, or other type of banking product. Of the lowest income households, roughly half do not have computer-based internet access. Of all households, less than half directly or indirectly hold stock in publically traded companies. All Americans should be able to invest in U.S. Savings Bonds, but this accessible savings option is especially important for low-income individuals and families who do not have access to our modern financial system.

The Treasury Department should preserve the Tax Time Savings Bond program because the tax return is one of the best opportunities for households to save during the year. The average refund for low income Americans is $2,310 (as of 2014) – often the largest one-time cash income for the year. This return can be used to buy a paper savings bond at face value, starting as small as $50. If needed, a savings bond can be redeemed after 12 months, with a low penalty up to five years (forgoing the last three months of interest accrual), and no penalty from five years to maturity of 30 years. Savings bonds also earn a higher rate of return than checking and savings accounts and are adjusted for inflation, without any of the associated banking fees. For consumers who are not yet ready for a retirement account that carries high penalties for early withdrawal but who want a better return than a savings account, the U.S. Savings bond is the best alternative. According to Commonwealth, an organization working to promote Americans' financial security, the Tax Time Savings Bond program has resulted in purchases of roughly $120 million in savings bonds from 2010-2013, and 25 percent of 2010 purchasers were repeat customers in 2011 and 2012.

The **Save Access to a Valuable Investment Needed to Generate Savings Act of 2017** (SAVINGS Act) would require the U.S. Treasury Department to continue to provide an option on the IRS tax form for consumers to use some or all of their tax return to purchase a U.S. Savings Bond in paper form, for either themselves or a designated recipient. This option will remain in place until the U.S. Treasury establishes a suitable alternative that serves the unbanked and individuals who lack internet access.

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